

LOWDOC ELIGIBILITY CHECKLIST

Applicant Name: _____ **Date** _____

This form guides the lender in determining an applicant's eligibility. Do not submit it with the application. Retain it in the applicant's file. Any item marked "No" indicates the loan is probably not eligible. Contact your LowDoc Processing Center (LDPC) if eligibility is questionable. Please refer to the attached Guidance, the LowDoc Program Guide, and SOP 50-10 for more information on eligibility requirements.

The products and/or services of the applicant business are available to the general public. ☐ Yes ☐ No

The business or any of its Associates have not been involved in a federal loan or federally assisted financing that defaulted and caused a loss to the Federal government. ☐ Yes ☐ No

Lender has reviewed the Franchise documents and Franchisor does not exercise control to the extent that it restricts Franchisee's right to operate its business independently. ☐ Yes ☐ No

Terms of the Loan

The total gross amount of SBA loans, except disaster loans, to this applicant and its affiliates, including this request, does not exceed \$150,000. ☐ Yes ☐ No

Eligible Passive Company (EPC) ☐ Check box if applicable. *If box is checked, provide the following information:*

Name of Operating Company (OC) _____

Nature of OC's Business _____

Legal Form of OC Entity _____

- EPC will use loan proceeds to acquire or lease and/or improve or renovate real or personal property (including eligible refinancing) that it leases 100% to an OC. ☐ Yes ☐ No
- OC is eligible and proposed use of proceeds would be eligible if OC were obtaining the financing directly. ☐ Yes ☐ No
- EPC (except eligible trusts) and OC are each small under SBA size standards. ☐ Yes ☐ No
- The total amount of all loans, except disaster loans, to the EPC, the OC, and the affiliates, if any, of both does not exceed \$150,000. ☐ Yes ☐ No
- Neither the EPC nor the OC is a trust or SBA requirements regarding trusts are met. ☐ Yes ☐ No
- There is only one OC or multiple OCs have identical ownership, related products and/or services. ☐ Yes ☐ No
- OC will be guarantor or co-borrower. Each 20% or more owner of EPC and OC will guaranty loan. ☐ Yes ☐ No

Use of Proceeds

Funding or Refinancing a Change of Ownership:

- The change will promote sound development or preserve the existence of the business. ☐ Yes ☐ No
- Is the change 100% of ownership, a repurchase of 100% of the interest of one or more owners by the business, or a purchase of 100% of the interest of one or more owners by another current owner? ☐ Yes ☐ No
- The transaction is arms-length and is supported by an independent third party valuation. ☐ Yes ☐ No
- The Buy/Sell Agreement has been reviewed and terms are satisfactory. ☐ Yes ☐ No

Debt Refinancing ☐ Check box if applicable:

- The cash flow needed to repay the portion of the loan for refinancing debt is at least 20% less than is currently needed to service this debt. ☐ Yes ☐ No
- Loan proceeds to refinance debt owed to the participating lender be 25% or less of the

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total LowDoc loan.

- All debt being refinanced is business debt or personal debt on behalf of the business.
- The loan will not refund debt owed to an SBIC.
- Proceeds will **not** pay a creditor in a position to sustain a loss causing a shift to SBA of part or all of that potential loss.
- The participating lender's loan has never been more than 29 days past due.
- The loan will not provide or refinance funds for payments, distributions, or loans to Associates of applicant except payment of ordinary compensation for services rendered.

☐ Yes ☐ No

☐ Yes ☐ No

☐ Yes ☐ No

☐ Yes ☐ No

☐ Yes ☐ No

☐ Yes ☐ No

The loan will not provide floor plan or other revolving line of credit.

☐ Yes ☐ No

The loan will finance a purpose which will benefit the small business.

☐ Yes ☐ No

Conflict of Interest

Lender or any Associate of Lender has not accepted funding from a source which restricts, prioritizes, or conditions the types of small businesses that Lender may assist under an SBA program or imposes any conditions or requirements upon recipients of SBA assistance inconsistent with SBA's loan programs or regulations.

☐ Yes ☐ No

Applicant, an Associate of Applicant, or close relative of Associate of Applicant is not required to invest in Lender.

☐ Yes ☐ No

Proceeds will not be used to acquire space in project for which Lender has issued a real estate forward commitment.

☐ Yes ☐ No

Lender has not previously submitted this application to SBA under any of its loan programs, including PLP, CLP, Fa\$Trak, and regular 7(a).

☐ Yes ☐ No

Guidance for Completion of LOWDOC ELIGIBILITY CHECKLIST

Refer to the LowDoc Program Guide and SOP 5010 for further guidance on eligibility. This is particularly recommended when a franchise, EPC, debt refinancing, or conflict of interest or potential for such is involved.

Where additional information is needed to support the response to any of the items in the checklist, attach separate sheets of paper. If a section such as EPC or Debt Refinancing does not apply, skip that section.

SBA may not participate in loans to entities which limit access for reasons other than health or safety.

Size

If an applicant has affiliates, the group of affiliates must be small, based on the primary industry of the group, under LowDoc size standards and the applicant must also be eligible on the basis of its primary industry.

Franchises

Franchise, license, and dealership agreements must be reviewed to determine whether the business is independent or the franchisor, licensor, etc. exercises control to the extent that the right to operate the business independently and enjoy profits or bear the risks of loss commensurate with ownership are restricted. A “No” response on the franchise item does not render the loan ineligible, but processing time may be extended when SBA has to review franchise documents to determine eligibility.

Terms of the Loan

The applicant and its affiliates, if any, may have one or more loans under LowDoc as long the total gross amount of the outstanding loan(s) and the requested loan(s) does not exceed \$150,000. Except for disaster loans which are not included, the loan program under which other loans may have been or may be extended does not matter.

Eligible Passive Concerns

Refer to SOP 50-10 for information on loans to Eligible Passive Concerns.

Use of Proceeds

Refinancing of existing debt must provide a substantial benefit to and meet a need of the small business applicant. Improving the lien position of the lender is not an acceptable reason. SBA does not want to refinance existing debt that is on reasonable terms or debts where the lender is in a position to sustain a loss that would be transferred to SBA. No more than 25% of a LowDoc loan may refinance debt owed to the lender participating in the loan. How much of a loan can be used to refinance debts of other lenders is not restricted. All debts being refinanced must be debts of the business or personal debt incurred on behalf of the business for which the applicant can provide documentation. Existing debt on reasonable terms is not eligible for refinancing. Reasonable terms are to be considered on the basis of whether the business can reasonably service all debt, including the loan request under consideration per the lender’s proposed structuring.

SBA does not participate in loans for an individual to purchase an interest in a business in which the individual does not already have an interest. Where a loan is for the funding or refinancing of a change of ownership, an independent third party valuation to evidence whether the purchase price is reasonable is necessary. This also establishes that the transaction is arms-length if close relatives are involved. SBA has no objection if the seller is giving a close relative a beneficial price. Our concern is when the price exceeds the value, especially when close relatives are involved.

Financial assistance provided by SBA must be for business purposes. It is not to benefit individuals, either directly or indirectly, other than through the normal course of conducting business.

Floor plans and other lines of credit are not eligible under LowDoc because of the complexity of the loan analysis and the processing time required.

SBA financial assistance must be for the benefit of the applicant business. A business may not apply for financial assistance for an affiliate or an Associate or any other party.

Change of Ownership

A loan may not be made to a partner(s) or shareholder(s) to purchase the interest of another partner(s) or shareholder(s). The loan must be to the business (partnership or corporation) to acquire the entire interest of a partner(s) or shareholder(s).

Conflict of Interest

SBA must consider conflicts of interest or any appearance of one very carefully. SOP 5010 specifies who decides whether a conflict of interest or the appearance of one renders an application ineligible.

SBA will not participate in a loan which is the result of a real estate forward commitment by the lender.

It is not appropriate for an application to be submitted under more than one of SBA's loan programs at the same time. In addition, if it has been submitted under another SBA loan program, the lender must inform the LDPC of the type of SBA program under which it was submitted and the SBA office to which it was submitted.